

Message Text

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TO AMEMBASSY BRASILIA IMMEDIATE

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SUBJECT: LAW OF THE SEA AND THE SECRETARY'S VISIT
TO BRASILIA

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1. VERY MUCH APPRECIATED RESPONSE REF B AND ARE PROCEEDING
ON AMENDMENTS TO PAPER TAKE INTO ACCOUNT EMBASSY'S
RECOMMENDATIONS.

2. WE WISH TO SUPPLY EMBASSY WITH ADDITIONAL INFORMATION
ON TECHNOLOGY TRANSFER ASPECT OF UNDERLYING DEEP SEABEDS
PACKAGE, SINCE WE CONCUR IN EMBASSY'S ASSESSMENT, BUT
FAILED IN REF A TO POINT OUT THE PRECISE TECHNOLOGY
TRANSFER EFFECT OF THE PACKAGE ON BRAZIL.

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3. PART OF THE PACKAGE OFFERED BY THOMPSON FLORES WAS

THAT THE U.S. WOULD REVIVE ITS PARALLEL QTE BANKING SYSTEM UNQTE SUGGESTION MADE INFORMALLY AT THE GENEVA SESSION, BUT AT THAT TIME REJECTED BY THE 77. THE SECRETARY'S MONTREAL SPEECH, WHILE NOT EXPLICIT ON WHAT KIND OF PARALLEL SYSTEM OF EXPLOITATION WE COULD SUPPORT, IN FACT KEEPS THE PARALLEL SYSTEM ALIVE. UNDER THE BANKING SYSTEM, A STATE OR COMPANY APPLYING FOR A MINE

SITE WOULD HAVE TO PROPOSE TWO MINE SITES TO THE AUTHORITY, AND WOULD RECEIVE ONLY ONE. THE OTHER SITE WOULD BECOME A RESERVED AREA FOR EXPLOITATION BY THE QTE ENTERPRISE UNQTE (THE AUTHORITY'S EXPLOITATION ARM) OR DEVELOPING COUNTRIES. THUS, ASSUMING THE TREATY ARTICLES DO NOT PERMIT THE ENTERPRISE TO MONOPOLIZE THE RESERVED AREAS AT THE EXPENSE OF THE DEVELOPING COUNTRIES, A DEVELOPING STATE WOULD IN EFFECT, FOR THE PURPOSES OF ATTRACTING CAPITAL AND TECHNOLOGY, HAVE THE RIGHT TO OFFER A COMPANY ITS SPONSORSHIP FOR A RESERVED AREA (A) WHICH OBVIOUSLY HAS ALREADY PROVEN TO BE OF COMMERCIAL INTEREST TO A COMPANY AND (B) FOR WHICH EXPLORATORY DATA HAS BEEN TURNED OVER TO THE AUTHORITY BY THAT COMPANY. IT SEEMS CLEAR TO US THAT DEVELOPING COUNTRIES WITH GOOD INVESTMENT CONDITIONS WOULD HAVE A VERY CLEAR ADVANTAGE IN ATTRACTING PRIVATE CAPITAL. MOREOVER, DEVELOPING COUNTRIES SUCH AS BRAZIL WOULD BE IN A VERY GOOD POSITION TO ESTABLISH OVERALL JOINT VENTURE ARRANGEMENTS WITH DEVELOPED STATES OR THEIR COMPANIES BY OFFERING ACCESS TO RESERVED AREAS.

4. THE TREATY WILL ALSO CONTAIN SOME PROVISIONS ON DIRECT TECHNOLOGY TRANSFER, BUT THESE FOR REASONS THE EMBASSY APPRECIATES WILL BE HEDGED, AND BRAZIL KNOWS THIS. NEVERTHELESS, WE BELIEVE THAT THE BANKING SYSTEM OFFERS DISTINCT TECHNOLOGY TRANSFER BENEFITS TO THE DEVELOPING COUNTRIES, AND PARTICULARLY THE MOST TECHNOLOGICALLY ADVANCED AMONG THEM. NOT ONLY BRAZIL, BUT INDIA AND OTHERS SEEM TO REALIZE THIS. FINALLY IT IS OUR SUSPICION THAT THE REASON THE LATINS ORIGINALLY PUSHED THE IDEA OF AN QTE ENTERPRISE UNQTE WAS ALSO THE FEELING THAT THEY WOULD HAVE A STRONG IF NOT DECISIVE
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ROLE IN UTILIZING THE ENTERPRISE AS AN INDIRECT METHOD OF TECHNOLOGY TRANSFER AS WELL.

5. THE UNDERLYING IDEA IS THAT, IN ESSENCE, EVERYONE GETS WHAT HE NEEDS MOST. THE INDUSTRIALIZED STATES GET A CLEAR RIGHT OF ACCESS. THE MOST ADVANCED OR CAPITAL RICH DEVELOPING COUNTRIES GET A PARTICULAR RIGHT OF ACCESS WITHOUT COMPETITION WITH DEVELOPED STATES. THEY

CANNOT HAVE THIS WITHOUT A TREATY. THE LEAST DEVELOPED, WHO COULD NOT ABSORB OR UTILIZE ADVANCED SEABED TECHNOLOGY EASILY IN ANY EVENT, WILL PRESUMABLY GET A PROPORTIONATELY GREATER SHARE OF THE REVENUE TO BE GENERATED. NEVERTHELESS, GIVEN US OPPOSITION TO NATIONAL QUOTAS FOR ACCESS, BRAZIL PROBABLY PERCEIVES THAT THE EFFECT OF THE DEAL IS TO GIVE AN ADVANTAGE ON QUESTIONS OF ACCESS TO THE MOST DEVELOPED OF THE DEVELOPED STATES

IN ONE GROUP, AND TO THE MOST DEVELOPED OF THE DEVELOPING STATES IN ANOTHER. WE BELIEVE THIS, AMONG OTHER REASONS, IS WHY THEY MADE THE APPROACH TO THE U.S. IN THE FIRST PLACE, SINCE THEY ARE AWARE OF CONCERN AMONG OTHER INDUSTRIALIZED STATES ABOUT THE US TECHNOLOGICAL LEAD. INGERSOLL

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